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A PROFILE OF AUSTRALIA'S RENTAL TENANTS

The Australian residential property market is complex and dynamic. Household groupings form, change, then disband. Many, perhaps most of those groupings go through various housing tenure arrangements, often involving changes in the type of dwelling and the physical characteristics. Economic conditions also change and bring with them different incentives for investment opportunities, particularly into the residential property market. An analysis of the whole issue of matching demand with supply or generating demand through supply requires a comprehensive set of data which not only establishes benchmarks and levels, but also looks at the rationale behind particular behaviour patterns. Any moves to change policies or economic conditions to help match the demand and supply require a detailed understanding of how the market works.

Analysts and policy-makers are interested in measuring both the stocks (the numbers and characteristics of different households in various tenure arrangements) and the flows, or changes over time in these variables. Three recent surveys conducted by the Australian Bureau of Statistics (ABS) provide some valuable insights into the Australian household residential market.

In July 1993, the Monthly Population Survey (of approximately 30,000 households) included questions on rental investors, that is, people who currently own residential property for rent in Australia, or had sold such a property in the previous 5 years, or intended investing in such a property in the following 2 years.

In April 1994, the Monthly Population Survey collected data on rental tenants, including renters, boarders, lodgers and those who live rent-free.

Between August and October 1994, there was a full housing survey conducted in 16,000 dwellings, covering details of household members, physical aspects of the dwelling, physical condition, housing costs, income, education and labour force status of persons in the household.

The publications providing the results from these three surveys are listed in the bibliography at the end of this section. A summary of selected findings from the April 1994 Rental Tenants' Survey is presented below.

Who are rental tenants?

In assessing the characteristics of rental tenants, it is most informative to see how different (or similar) they are to the rest of the population, notably owners and purchasers of the dwellings in which they live.

Life cycle (age and sex) analysis

The survey showed that 61% of Australia's adult population either owned or were purchasing their home, while 25% (3,400,100 persons) were renters or boarders. The remaining 14% of

people lived rent-free or had some other form of tenure.

Generally, there were consistent proportions of males and females in each of the occupancy types.

Renters/boarders tend to be concentrated in the younger age ranges. More than half of all renters were aged between 20-34 years and the median age group for renters was 30-34 years. In contrast, 47% of all owners and purchasers were aged between 30-49 years with the median age group being 45-49 years. Nearly 20% of all owners and purchasers were aged 65 or more compared with only 7% of renters/ boarders. Those in the rent-free category also tended to be younger, with 75% aged 15-24 years. A significant proportion of these would be children living in the family home.

State and Territory distributions

The majority of people in all States and Territories, with the exception of the Northern Territory, were owners/ purchasers. Overall, owners/purchasers accounted for 61% of the Australian population. This proportion varied from a high of 65% in Tasmania to a low of 44% for persons resident in the Northern Territory.

The Northern Territory was the only State or Territory with a greater proportion of renters/boarders than owners/purchasers (45% renters/boarders, 44% owners/ purchasers).

The State with the next highest proportion of renters/boarders was Queensland (29%). The lowest proportions of renters/boarders occurred in Victoria and Tasmania (each 22%).

Employment characteristics

The majority of persons in all occupancy types, with the exception of those living rent-free, were employed full-time.

Unemployed persons were less likely to be owners/purchasers and more likely to be renters/boarders. Unemployed persons accounted for only 3% of owners/ purchasers but made up 12% of renters/ boarders. Nearly half (47%) of all unemployed persons in April 1994 were renting or boarding, almost double the proportion of all persons (25%) who rent or board.

Proportionally fewer renters/boarders were not in the labour force than was the case for persons in other occupancy types. Only 30% of renters/boarders were not in the labour force, compared with 38% of owners/ purchasers and 39% of those living rent-free.

In general, owners were older and more likely to be retired (and hence not in the labour force) than renters.

Similarly, those living rent-free were more likely to be younger and perhaps attending an educational institution and hence less likely to be employed full-time.

Birthplace

Persons born outside Australia were more likely to own or be purchasing their dwelling than those born in Australia. Sixty-six per cent of the 3,574,200 persons born overseas, owned or were purchasing their home compared with 59% of Australian born. The propensity to rent or board was far more consistent between Australian born and overseas born. Sixteen per cent of Australian born persons lived in rent-free accommodation, well above the 8% of the overseas born population.

Persons born in Europe had a propensity for home ownership of 76%, dominated by the sizeable population who were born in the United Kingdom and Ireland, of whom 71% owned or were purchasing their own home. Persons born in Italy (91%) and Greece (85%) had particularly high home ownership rates and hence very low proportions who rented.

In general, persons born in Asia had lower rates of home ownership and higher rates of renting than Australian born or the average for all overseas born persons. This is likely to be influenced by the fact that, in general, Asian born persons arrived in Australia much more recently than persons born in Europe.

People who have arrived in Australia more recently were less likely to own or be purchasing their own home. Sixty-five per cent of those who arrived in Australia since 1991 were renting in April 1994, compared with only 15% of those who arrived in Australia before 1971.

Household type

Owners and purchasers accounted for 73% of the 6,468,800 households in Australia. Renters made up 25%, rent-free 1% and other types of occupancy less than 1%. These proportions are slightly different from those presented earlier for persons. The main difference is the very low proportion of rent-free and boarder households. Most of the persons boarding or living rent-free do so as part of a wider household as opposed to being a household in their own right.

Renters accounted for a far greater percentage of one parent, one person and other households than they did for couple households. Renters accounted for 46% of one parent households, 35% of one person households and 46% of other households, but only 16% of all couple households.

What type of dwellings are rented and from whom?

Over 90% of all owner and purchaser households lived in a separate house. However, the propensity for renting households to live in separate houses was much lower at just over 50%.

There were greater numbers of renting households than owner/purchaser households inhabiting semi-detached, row or terrace houses, or townhouses. Renting households accounted for 53% of all households in semi-detached, row or terrace houses, or townhouses. Renting households also occupied a greater number of flats, units or apartments. They accounted for 72% of all households occupying some type of flat, unit or apartment.

Data showing type of landlord is presented for income units who rent, board or live rent-free since the decisions about owning and renting, type of landlord and amount of rent to be paid are usually made at the income or financing unit within a family or household. Thus the data includes a sizeable number of income units (26%) who live rent-free and another group (21%) who rent from a person living in the same household. These two groups were predominantly young people, were employed part-time or were not in the labour force (most likely attending an educational institution) and were in the lowest income quintile.

However, there were over 7% of those living rent-free who were aged 65 years and over. Twenty-four per cent of income units who rent, board or live rent-free rented from a real estate agent, 11% rented from a State or Territory housing authority and 16% rented from a private landlord who did not live in the same household as the tenant.

Two thirds of income units containing a couple (either with or without dependent children) rented privately, either through a real estate agent or through a private landlord. Contrasting that was the fact that 30% of one parent units rented from a public housing authority.

Size of rental dwellings

The traditional measure of the size of a dwelling is the number of bedrooms.

Forty per cent of all rented dwellings had three bedrooms, 37% had two bedrooms (of which more than half were flats, units or apartments) and 14% had only one bedroom (including bedsitters).

Furnished or unfurnished?

The great majority (84%) of rental dwellings were unfurnished. There was not a large difference between the proportions of partly furnished (7%) and fully furnished dwellings (5%). The most likely type of dwelling to be fully furnished was a flat, unit or apartment.

Whether tenants have a lease

Just on two thirds of renting households at April 1994 did not have a lease. Nearly all (96%) of those renting from a public housing authority stated that they did not have a lease. However, public housing tenants generally enter into a tenancy agreement which assures secure tenure. Seventy-one per cent of those renting privately stated they did not have a lease. For those renting through a real estate agent, the picture was reversed with 61% stating that they had a lease in April 1994.

Rental history

The survey included an assessment of rental tenant's rental history, in particular, the age when people first started renting, the number of years in rented accommodation and the frequency of moving house. For the purpose of this analysis, about 1.2 million non-dependant children living at home have been excluded. Exclusion of this group has a major impact on the numbers who live rent-free and those who rent from a relative in the same household.

Given that exclusion, 40% of all renters have lived in rental accommodation for more than ten years, while 10% had been in rental accommodation for less than one year. The median duration for rental tenancy was six years.

The distribution of long term renters by landlord type was quite diverse. Over three quarters (76%) of all tenants of State and Territory Housing Authorities had been in rental accommodation for more than ten years. Nearly 60% of those renting from their employer had been rental tenants for more than ten years (presumably mostly in similar arrangements to their current tenancy). For tenants renting from a real estate agent or privately from someone not in their own household, the proportions of long term tenants were 32% and 40% respectively.

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